Economic Development (Econ 591); fall 2016

Professor Rachel Heath; [rmheath@uw.edu](mailto:rmheath@uw.edu)

office hours: Thursday 1:30-3:00 pm, or by appointment

(You can also catch me after class, although if there is a Forum on Political Economy or a Labor/Development brownbag I’ll only have a couple minutes before I need to go.)

office location: Savery 345

*Textbook:* Bardhan, Pranab and Christopher Udry, 1999. *Development Microeconomics.*

*Background readings*:

* Banerjee, A. and E. Duo (2007). “The Economic Lives of the Poor,” The Journal of Economic Perspectives.
* Banerjee, A., R. Benabou, and D. Mookherjee, 2006. *Understanding Poverty.*

*Other useful references*

* Deaton, Angus, 1997. *The Analysis of Household Surveys.*
* Ray, Debraj, 1998*. Development Economics.*

*Prerequisites:* The prerequisites are the first year graduate sequence in microeconomics and econometrics. If you have not taken these classes at UW, or are otherwise unsure of your background or preparation, come talk to me. I encourage students outside of the economics PhD program to take the class, but we should talk early in the quarter to make sure you have the tools to succeed.

The graduate sequence in macroeconomics and an undergraduate knowledge of development economics are helpful but not required. If you have never taken a development economics course before, you may find that the Ray undergraduate textbook provides useful background.

The problem sets in the class will require you to do data analysis. I strongly suggest using Stata. If you do not have any experience with Stata before the semester, you might find it useful to take an introductory class or investigate on your own before the semester. CSDE (the Center for the Study of Demography and Ecology) and CSSCR (the Center for Social Science Computation and Research) offer courses.

If you go the self-taught route (or as a reference or refresher after a class), some useful materials are

* <http://data.princeton.edu/stata/>
* <http://www.ats.ucla.edu/stat/stata/>
* <http://www.cpc.unc.edu/research/tools/data_analysis/statatutorial/index.html>

*Auditors:* Auditors are welcome. I encourage you to do as many of the readings as you can, so that you can get the most out of the class and better contribute to class discussions. You are also very welcome to do a research proposal in order to get feedback from me and your classmates on a nascent research idea.

*Assignments:* 2 problem sets, 1 in-class presentation on a paper, 1 research proposal and presentation of the research idea

*Grading*:

Problem Sets 30 percent

Presentation of paper/class participation 20 percent

Final project/presentation 50 percent

*Details on the paper presentation*: You’ll present one recent paper in development economics. We’ll allocate papers on about the third day of class. (This is optional for auditors.) The paper presentation should last approximately 15 minutes, so you will likely not be able to go through every detail of the paper. Instead, focus on the paper’s key contribution to development economics, and how elements of the paper (model, data, empirical strategy) are important for that contribution. You don’t have to uniformly positive, though: if you have any concerns or notice any limitations, point those out also.

*Details on the research proposal:* The paper should be approximately eight to ten pages. It will be due by the day of the scheduled exam for the class (December 14). You should briefly survey the existing literature within a specific area of development economics and propose a feasible research project that helps fill a gap in this literature. Feasible means that if you think the project can be done with existing data, you should give an idea about which data you may use. If the project requires an experiment or data collection, then you should describe the timeline for the project, propose some potential collaborations or funding sources, and give details on the data collection. In either case, you should describe the theoretical framework for the project (whether or not there’s a formal model) and the proposed empirical strategy.

You are encouraged to come to office hours to discuss your idea with me at the early stages of writing your proposal. Since I know not every student is interested in development as a primary research area, topics in the intersection of development and other research areas are completely acceptable.

In the last several class meetings (exact schedule will depend on the total number of people doing presentations), you will give a presentation of your proposal. You should plan a presentation of approximately 15 minutes (this goes by quicker than you think, so survey the existing literature succinctly and get to your own idea quickly), and then we’ll have a few minutes of questions.

Schedule *(tentative – I’ll announce any changes as the course progresses)*

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| Date | Topics | Reading(s) |
| Thursday, September 29 | Course introduction  The agricultural household model | BU, chapter 2 |
| Tuesday, October 4 | The agricultural household model, continued | Jacoby, Hanan. “Shadow wages and peasant family labor supply: an econometric application to the Peruvian Sierra,” Review of Economic Studies, 1993.  Benjamin, D. (1992). “Household composition, labor markets and labor demand: testing for separation in agricultural household models,” Econometrica, March, 60:287-298.  LaFave, Daniel, and Duncan Thomas. "Farms, Families, and Markets: New Evidence on Completeness of Markets in Agricultural Settings."*Econometrica* 84.5 (2016): 1917-1960. |
| Thursday October 6 | Intra-household allocation | Udry, Christopher, “Gender, Agricultural Production, and the Theory of the Household,” Journal of Political Economy, 1996.  Qian, Nancy, “[Missing women and the price of tea in China: The effect of sex-specific earnings on sex imbalance](http://qje.oxfordjournals.org/content/123/3/1251.short)”, Quarterly Journal of Economics, 2008.  Deaton, Angus “Looking for boy-girl discrimination in household expenditure data,” World Bank Economic Review, 1989.  Duflo. E. (2003). “Granddaughters and grandmothers: Old age pensions in South Africa.” World Bank Economic Review.  Doepke, Matthias, and Michelle Tertilt. Does female empowerment promote economic development? No. w19888. National Bureau of Economic Research, 2014. |
| Tuesday, October 11 | Risk, insurance, and savings | BU chapter 8 |
| Thursday, October 13 | Risk, insurance, and savings | Townsend, Robert, “[Risk and insurance in village India](http://www.jstor.org/stable/10.2307/2951659)”, Econometrica, 1994.  Paxson, Christina, “[Using weather variability to estimate the response of savings to transitory income in Thailand](http://www.jstor.org/stable/10.2307/2117600)” American Economic Review, 1992.  Rosenzweig, M. and K. Wolpin. 2000. “Natural ‘Natural Experiments’ in Economics”.  Journal of Economic Literature. Section 4.  Kaivan Munshi & Mark Rosenzweig, 2006. "Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy," American Economic Review. |
| Tuesday, October 18 | Risk, insurance, and savings: dynamic models | Ligon, Ethan, Jonathan P. Thomas, and Tim Worrall. "Informal insurance arrangements with limited commitment: Theory and evidence from village economies." *The Review of Economic Studies* 69.1 (2002): 209-244. |
| Thursday, October 20 | Credit | **PROBLEM SET 1 DUE**  BU chapter 7  Karlan, Osei, Osei-Akoto, and Udry, Agricultural Decisions after Relaxing Credit and Risk Constraints. QJE, 2014 |
| Tuesday, October 25 | Credit and interlinked contracts | Karlan, Dean, and Jonathan Zinman. "Observing unobservables: Identifying information asymmetries with a consumer credit field experiment."*Econometrica* 77.6 (2009): 1993-2008.  (BU chapter 9 is a useful reference, although we’ll only touch on it in class) |
| Thursday, October 27 | Property rights | Banerjee, Abhijit, Paul Gertler and Maitreesh Ghatak, “Empowerment and Efficiency: Tenancy Reform in West Bengal,” Journal of Political Economy, 110(2), 2002, 239-280.  Markus Goldstein and Christopher Udry. The Profits of Power: Land Rights and Agricultural Investment  in Ghana. Center Discussion Paper 929, Economic Growth Center, Yale University, New Haven, CT,  September 2008  Besley, Timothy "Property Rights and Investment Incentives: Theory and Evidence from Ghana," Journal of Political Economy, Vol. 103, 1995, 903-37. |
| Tuesday, November 1 | Technology adoption | Foster, Andrew and Mark Rosenzweig, “[Learning by doing and learning from others: Human capital and technical change in agriculture](http://www.jstor.org/stable/10.2307/2138708)”, Journal of Political Economy, 1995.  Conley, Timothy and Christopher Udry, “[Learning about a new technology: Pineapple in Ghana](http://www.ingentaconnect.com/content/aea/aer/2010/00000100/00000001/art00002)”, American Economic Review, 2010.  Duflo, Esther, Michael Kremer, and Jonathan Robinson. 2011. "Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya." *American Economic Review*, 101(6): 2350-90. |
| Thursday, November 3 | Firms | Udry, Christoper, and Santosh Anagol “The Returns to Capital in Ghana” AER Papers and Proceedings, 2009.  De Mel, Suresh, David McKenzie, and Chris Woodruff, “Returns to Capital in Microenterprises: Evidence from a Field Experiment,” Quarterly Journal of Economics, 2008.  Nicholas Bloom & Benn Eifert & Aprajit Mahajan & David McKenzie & John Roberts, 2013. "Does Management Matter? Evidence from India," The Quarterly Journal of Economics, Oxford University Press, vol. 128(1), pages 1-51.  Banerjee, Abhijit V., and Esther Duflo. "Do firms want to borrow more? Testing credit constraints using a directed lending program." The Review of Economic Studies 81.2 (2014): 572-607. |
| Tuesday, November 8 | Labor | **PROBLEM SET 2 DUE**  BU Chapter 4  Harrison, Ann and Jason Scorce, “Multinationals and Sweatshop Activism,” American Economic Review, 2010. |
| Thursday, November 10 | Labor and Migration | Seema Jayachandran (2006). “Selling Labor Low: Wage Responses to Productivity Shocks in Developing Countries,” *Journal of Political Economy*, 114(3), 538-575.  Bryan, Gharad, Shyamal Chowdhury, and Ahmed Mushfiq Mobarak. "Underinvestment in a profitable technology: the case of seasonal migration in Bangladesh." *Econometrica:* 82.5 (2014): 1671-1748. |
| Tuesday, November 15 | Labor and Human capital investments | Duflo, Esther “[Schooling and labor market consequences of school construction in Indonesia: Evidence from an unusual policy experiment](http://www.nber.org/papers/w7860)” (AER 2001) and “[The medium run effects of educational expansion: evidence from a large school construction program in Indonesia](http://www.sciencedirect.com/science/article/pii/S0304387803001846)” (JDE 2004) |
| Thursday, November 17 | Education | Kremer, Michael and Alaka Holla, “Improving Education in the Developing World: What have we Learned from Randomized Evaluations?”, Annual Review of Economics, 2009.  Jensen, Robert. "The (perceived) returns to education and the demand for schooling." *The Quarterly Journal of Economics* 125.2 (2010): 515-548. |
| Tuesday, November 22 | Health | Miguel, Edward, and Michael Kremer. "Worms: identifying impacts on education and health in the presence of treatment externalities." *Econometrica* 72.1 (2003): 159-217.  Pitt, M.M. and Rosenzweig, M.R. and Hassan, M.N. “Human Capital Investment and the Gender Division of Labor in a Brawn-Based Economy,” American Economic Review, 2012. |
| Tuesday, November 29 |  | TBA/Catch-up |
| Thursday, December 1 |  | TBA/Catch-up |
| Tuesday, December 6 |  | FINAL PRESENTATIONS |
| Thursday, December 8 |  | FINAL PRESENTATIONS |

Your final proposal is due by the day of the final exam (Wednesday, December 14).